

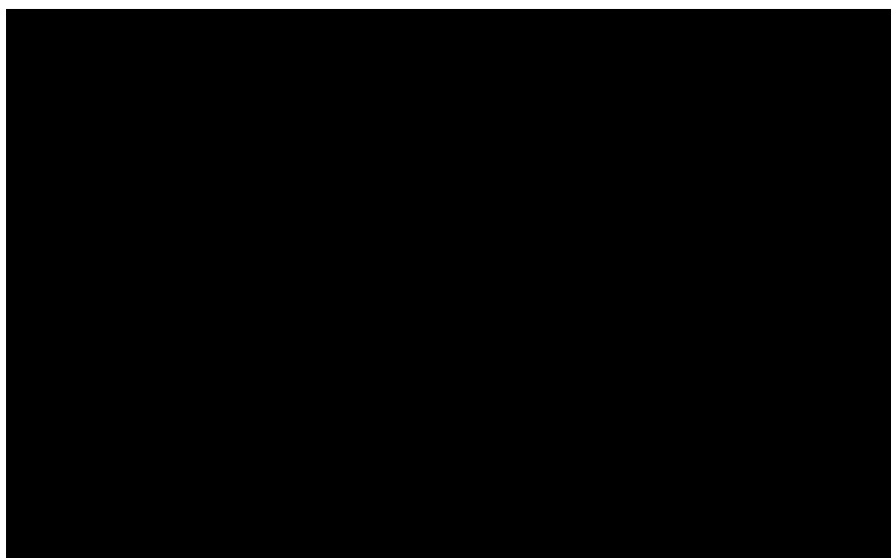
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15 December 1961

SC No. 01194/61
Copy No. 297

CURRENT INTELLIGENCE WEEKLY REVIEW



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

APPROVED FOR RELEASE
DATE: MAY 2001

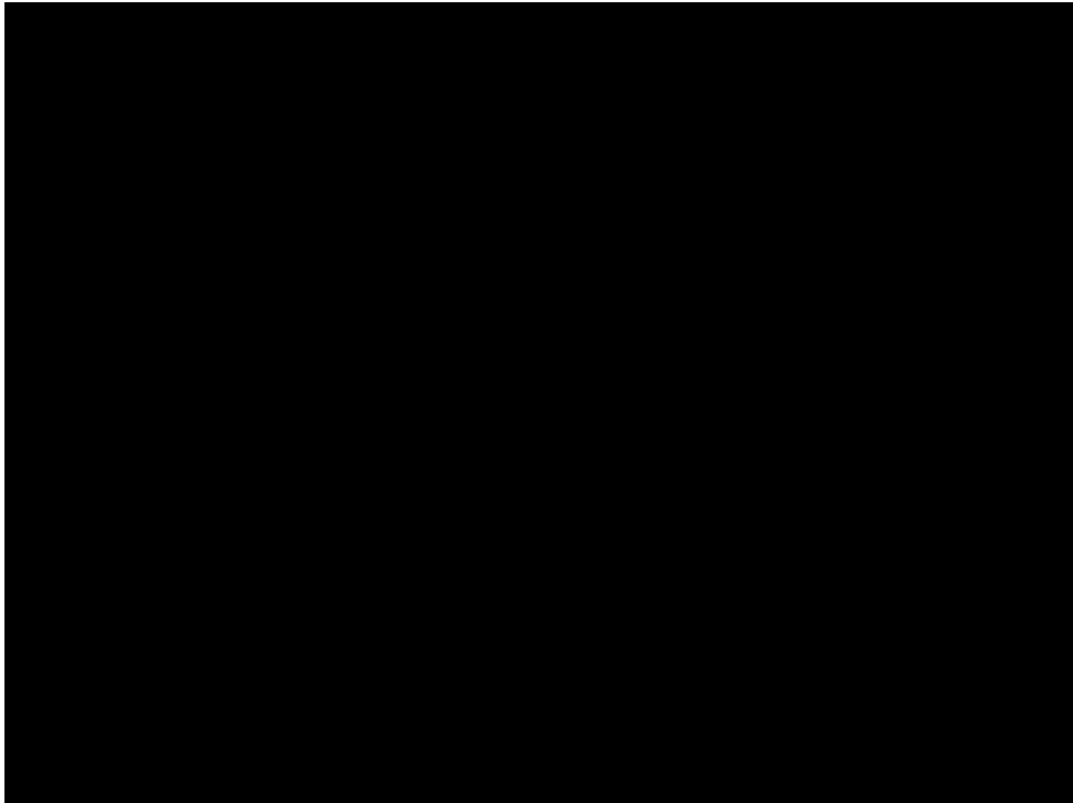


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LEFTIST GAINS IN BRAZIL

Communists and their allies in Brazil have scored major gains in recent weeks, particularly in the northeastern area of the country. Recent Senate action undercuts the federal government's plan for long-term development of the area. Widespread protest against the Senate move is enhancing the prestige of Miguel Arraes, the pro-Communist leading candidate for governor of Pernambuco, most important of the northeastern states.

The climate for agitation in the northeast had been improved by a 30-percent price rise for staple foods during October and November. Even

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BRAZILIAN DROUGHT RELIEF

Some 342,000 square miles of northeastern Brazil are affected periodically by serious drought. National interest in the problem is reflected in a constitutional provision to allocate 3 percent of federal tax revenues to economic improvement in chronic drought areas. This money has in the past been spent by a long-established agency, "DNOCS," for make-work projects to enable consumers to pay the exorbitant food prices charged in time of drought. Congressional representatives have shared in the profits of this system. Apparently for this reason, the Brazilian Senate recently passed two amendments which undermine the \$900,000,000 five-year "SUDENE" plan for basic long-term improvement in the area. Senate-approved amendments, not yet passed by the lower chamber, require that tax revenues go to "DNOCS" and not to "SUDENE" and prohibit "SUDENE" plans for inter-state migration of populations. The "SUDENE" plan had been expected to get under way this year.

prior to the Senate action, [REDACTED] had expected labor unrest among not only urban but also rural workers, more of whom are being organized in peasant leagues. The peasant leagues are led by Francisco

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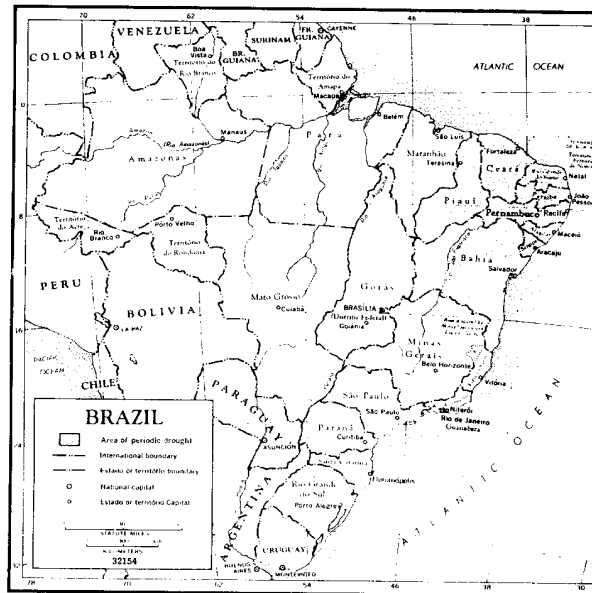
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Juliao, who has long indicated admiration for Fidel Castro and Mao Tse-tung and is [REDACTED] to have stated publicly earlier this month: "By law or by force we demand land reform, urban reform, and bank reform." Juliao, who describes himself as a Marxist but not a Communist, predicted that revolution would begin soon in central Brazil.

The Senate amendments are described in the leading Brazilian newspaper as an effort to strengthen "the drought industry"--the widespread practice of profiteering during the periodic droughts. Senators from the eight states of the drought area--who have usually been involved in corrupt administration of relief--make up well over a third of Brazil's 63-seat upper house. The amendments--which have not yet passed the lower house--were introduced by Senator Argemiro Figueiredo of Paraiba.

Extreme leftists have also improved their prospects in the labor field. National labor confederation elections on 8 and 9 December resulted in the election of three labor leaders who generally support the Communist line, including Bedito Cerqueira, who is a member of the General Council of the Communist-dominated World Federation of Trade Unions. The elections apparently reflect President Goulart's unwillingness to take action against Communists in the labor field. While Goulart apparently attempted prior to the election to persuade the pro-Communist and pro-democratic labor leaders to agree on a "unity" slate, he did not exert the traditionally strong influence of a Brazilian



chief executive in favor of the pro-democratic slate, and, in fact, apparently inclined toward the pro-Communists.

Leftist extremists have also scored a considerable success in the economic field in recent weeks with the passage through the Chamber of Deputies in late November of a bill which in effect prohibits new foreign investment. The free foreign exchange rate dropped from 350 to 450 to the dollar, according to press reports, although a move to mobilize opposition to the bill seems likely to bring about substantial modification in the Senate.

Brazilian Communists have been encouraged also by Brazil's re-establishment of diplomatic relations with the USSR on 23 November. Brazil now maintains relations with all European satellites except East Germany.

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